

Message Text

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ACTION NEA-10

INFO OCT-01 AF-04 ARA-06 EUR-12 ISO-00 EB-04 CIAE-00

DODE-00 PM-03 INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01

PRS-01 SP-02 SS-15 USIA-06 TRSE-00 INT-05 COME-00

FEAE-00 CEA-01 STR-01 CIEP-01 OMB-01 SAM-01 /088 W

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R 121503Z NOV 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5589

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BONN

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY LAGOS

AMCONSUL DHAHRAN

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: BRITISH PRESS REACTION TO GULF STATES OIL

PRICE DECISION

REF: LONDON 14614

1. EXCEPT FOR EXTREMELY ACCURATE "FINANCIAL TIMES"

ARTICLES, INITIAL BRITISH PRESS COVERAGE OF PRICE

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DECISIONS TAKEN AT WEEKEND MEETING BY SAUDI ARABIA,

ABU DHABI AND QATAR MAINLY STRESSED POSTED PRICE REDUCTION AND TAX SQUEEZE ON INTERNATIONAL COMPANY PROFITS. SEVERAL PAPERS ATTRIBUTED MOVE ON POSTED PRICE AS A POLITICAL GESTURE AND RESPONSE TO PLEAS OF SECRETARY KISSINGER TO CUT OIL PRICES. SUBSEQUENT PRESS TREATMENT WAS MORE COMPLETE, EMPHASIZING OIL COMPANY WARNINGS THAT COSTS WOULD COME UNDER RENEWED PRESSURE AS CONSEQUENCE OF HIGHER TAXES AND ROYALTIES RESULTING IN INCREASED PRODUCER STATE TAKE.

2. "FINANCIAL TIMES" OF NOVEMBER 12 NOTED EFFECT ON UK BALANCE OF PAYMENTS ALONE OF 50 CENT A BARREL INCREASE COULD BE AS HIGH AS ADDITIONAL 100 TO 150 MILLION POUNDS. AT SAME TIME, "FINANCIAL TIMES" SUGGESTS NARROWING OF COST DIFFERENCE BETWEEN COMPANY EQUITY AND PARTICIPATION OIL TO 20 TO 25 CENTS A BARREL WOULD INEVITABLY RESTRICT INTERNATIONAL OIL COMPANY MARGINS ON CRUDE OIL SALES TO AFFILIATES OR THIRD PARTIES TO THAT LEVEL FOR FEAR OF BECOMING UNCOMPETITIVE WITH PRODUCER STATE-OWNED OIL SOLD AT AROUND 93 PERCENT OF POSTED PRICE. THIS SQUEEZE ON COMPANIES' UPSTREAM MARGINS WILL FORCE INDUSTRY INTO AWKWARD POSITION OF HAVING TO RAISE MARGINS ON REFINING AND MARKETING OPERATION IF THEY ARE TO RECOVER FULL INCREASE IN CRUDE COSTS OF AROUND 50 CENTS--A MOVE THAT COULD BE PARTICULARLY DIFFICULT IN PRICE-CONTROLLED COUNTRIES SUCH AS UK.

3. COMMENT: UNLESS A DEVOTED READER OF "FINANCIAL TIMES", AVERAGE PERSON IS BOUND TO BE CONFUSED BY CONFLICTING AND INCOMPLETE INFORMATION THUS FAR REPORTED IN PRESS.

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: cunninfx
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30 JUN 2005

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